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## Article

### Note from the editor: Economy and democracy

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# Note from the editor

## Economy and Democracy

The founding fathers of economic sociology showed great interest in the way governance structures and economic practice co-evolve. For Karl Marx, the modern state was a means for the capitalist class to sustain, enhance and legitimate their control over the means of production (for a discussion, see Mandel and Novack, 1974). Max Weber presented a more intricate interconnectivity model. Using the notion of “elective affinity” he described how religious belief systems and capitalism co-evolve and mutually support each other (Weber, 1958). His analysis of the unique qualities of rational legal bureaucracies within modern capitalism (Weber, 1969), as part of his larger project of the rationalization of modern life, is yet another example of his infatuation with the interrelations of governance structure and economy. Tocqueville’s year-long tour of the United States in 1831, which was intended to study the American incarceration system, yielded an important book, *Democracy in America*, which was published in two parts (1835 and 1840). In this book he articulates how the tendency of Americans to establish grassroots organizations and their belief in equal opportunity supported, at least in states opposed to slavery, entrepreneurship and a thriving capitalist economy. Americans, Tocqueville asserted, were dominated by their commercial drives and allowed business norms and practice to shape their polity (for an in-depth analysis of Tocqueville’s political economy see Swedberg, 2009).

The relationship between democracy and capitalism has remained a persistent theme in economic sociology (for example, Polanyi, 1957). More recently, scholars have taken a critical look at neoliberal ideology, which asserts that capitalism and “free” global markets enhance the democratization of underdeveloped economies. For example, some studies point out that, in fact, there are many types of democracy and varieties of capitalist system, each composed of distinct sets of ties between governance structure and economic practice (Hall/Soskice, 2001). Critical studies of the World Bank have exposed how affluent Western economies try to enforce global neoliberalism – employing democracy as a rhetorical device – through a system of loans to underdeveloped societies (for example, Kiely, 1998)

Economic sociology has been influenced by the 2009 financial meltdown and the ensuing legitimization crisis of global capitalism. The crisis brought to center-stage a network composed of greedy and at time fraudulent investment banks, brokers and politicians who together sustain global trade. This legitimization crisis engendered social protest and reconsideration of the true nature of redistribution mechanisms in advanced economies. The 2009 financial crisis exposed that it is not so much the poor and needy who benefit from state-level redistribution systems, but rather the most affluent members of society. The crisis also rekindled theoretical interest in alternative forms of organizing economic action, such as producer and service cooperatives and banks owned by their many clients. Economic sociology quickly reacted to the financial crisis and produced scholarly work that identifies the pitfalls of global financial trading, which led to the dramatic demise of bank and investment firms (for example, Fligstein/Goldstein, 2010). The aim of the July issue of the European Economic Sociology Newsletter is to highlight the renewed interest in the interrelations of democracy and the economy.

An important intersection of democracy and the economy is the redistribution system. Recent transitions in redistribution mechanisms in Europe are the focus of the first article, by *Lea Elsässer, Inga Rademacher and Armin Schäfer*. This article examines the degree to which welfare retrenchment has taken place in European countries, disaggregating welfare spending into four categories. Among the many interesting insights, of particular importance is the finding that the deepest cuts have taken place in those areas that most reduce inequality. The authors also reveal a shift in spending from the working-age population to pensions and services.

Why does democracy stop at the factory gate? This question, posed by Langdon Winner (1977), highlights the fact that we have learned to accept authoritative and non-democratic governance structures in the workplace, which we strongly oppose in the political sphere. The constitution of clear boundaries between governance structures within and outside work organizations is an attractive area of study, as it involves a re-examination of basic concepts such as property rights and individual rights and their inner tensions. While the vast majority of capitalist workplaces are far from being democratic, some work organizations

implement democratic governance structures in their daily operations. In these workplaces – for example, bakeries and taxi cooperatives – workers own their workplace, elect their managers and even constitute a justice regime with an internal court with independent judges. The second article in this issue presents the growing interest in different forms of economic democracy. It deals with the application of an alternative organizational form, a cooperative, in the German energy sector. *Özgür Yildiz and Jörg Radtke* explain that cooperatives in this sector existed already in the late nineteenth century and have received government as well as grassroots support in the early twenty-first century with the push towards renewable energy. The authors suggest that energy cooperatives do not conform to the strict and narrow definition of workplace democracy, which promotes workers' ownership and control over decision-making in their employing organization. Rather, Yildiz and Radtke provide a much broader definition of workplace democracy, which includes the meso and macro levels. On these two broader levels they are able to demonstrate the democratic nature of energy cooperatives.

Grassroots organizations supported by local and federal agencies can become powerful change agents. The third article in this issue concerns the constitution of a goat-milk market in one of Brazil's poorest areas. *Oswaldo Gonçalves Jr. and Ana Cristina Braga Martes* describe in detail how federal government programs to eradicate poverty, local government technicians, small farmers and goat-milk enthusiasts have all contributed to the revitalization of goat raising, traditionally considered an inferior agricultural area. Employing actor network theory as a theoretical basis, they are able to describe the different stages of network formation and the translation processes that take place within the network.

Side by side with new economic sociology, which is influenced mainly by New Weberian traditions, a neo-Marxist tradition of labour process analysis has been flourishing in recent decades, mainly in the United Kingdom. While both research streams deal with similar topics, an intellectual cleavage exists which separates them. The interview with Chris Warhurst, a leading scholar in labour process analysis, is meant in part to question this separation. Warhurst has in recent years published extensively on the skills and workplace implications of the transition from an industry-based to a service-based economy. The interview highlights Warhurst's previous interests in economic democracy and

alternative forms of work organization. He is also asked about his current interest in job quality, which might become a bridge between economic sociology and labour process analysis.

The section 'New Frontiers in Economic Sociology' offers a review of the literature on illegal markets and organized crime, and a presentation of research questions that can be addressed by economic sociologists. *Annette Hübschle* argues that illegal markets and illegal trade must be seen within a broad perspective, including the interrelations of legal and illegal markets and the active participation of organized crime, as well as government agents and customers who are willing to ignore the illegal nature of a given area of trade.

I wish our readership instructive and interesting reading.

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